

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2125 – SB 2680

April 10, 2018

**SUMMARY OF ORIGINAL BILL:** Reduces the number of property owners required to consent to municipal annexation without a referendum.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent less than all of property owners consent to annexation and a territory is annexed to a municipality without a referendum, shifts in revenue and expenditures between local entities may occur. Any changes or shifts would result from permissive actions of local government. The extent and timing of any such permissive shifts cannot be reasonably quantified. Local governments may also experience permissive cost avoidances associated with such referendums.

**SUMMARY OF AMENDMENT (017086):** Deletes and replaces all language after the enacting clause. Specifies that a referendum is not required to effectuate annexation of territory if the proposed annexation consists of nine or fewer parcels, two-thirds of the property owners within the territory proposed for annexation consent in writing, and the total land area of the property owned by the individuals petitioning for the annexation is more than one-half of the territory proposed for annexation, and repeals this provision on January 1, 2023.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – To the extent less than all of property owners consent to annexation in proposed annexations of nine parcels or less prior to January 1, 2023 and a territory is annexed to a municipality without a referendum, shifts in revenue and expenditures between local entities may occur. Any changes or shifts would result from permissive actions of local government. The extent and timing of any such permissive shifts cannot be reasonably quantified. Local governments may also experience permissive cost avoidances associated with such referendums.

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Assumptions for the bill as amended:

- Any action taken by a municipality to annex property by resolution is permissive.
- Under current law, pursuant to Tenn. Code Ann. § 6-51-104(a), a municipal resolution to effectuate the annexation of any property, with written consent of all property owners, does not require a referendum.
- This legislation requires the consent of two-thirds of property owners who own more than one-half of the territory proposed for annexation to avoid a referendum only in proposed annexations of nine parcels or less.
- Reducing the number of consenting property owners required to avoid a municipal referendum for annexation may lead to avoiding the local costs associated with such referendums. The timing and amount of such cost avoidances cannot be reasonably quantified.
- In instances where less than all of property owners consent to annexation and territory is annexed without a referendum in proposed annexations of nine parcels or less prior to January 1, 2023, there will be a shift in the responsibility of the provision of certain services from the county to the municipality. The cost associated with the provision of services is dependent on the current services provided to current municipal residents, the timing of any such annexation, and the number and location of annexed properties. In addition, there may be a shift in revenue from the county to the municipality. Any changes or shifts would result from permissive actions of local government. Any fiscal impact resulting from a municipal annexation of such territories cannot be reasonably quantified.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj